

# The United States Agency for International Development and Poverty Reduction<sup>1</sup>

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## 1. Introduction

The United States' foreign assistance program has always had either an implicit or explicit major poverty reduction objective. Currently, the extent of the United States Agency for International Development's (USAID's) commitment to poverty reduction is not always clearly visible to the development community, because it is an implied element of our more operationally focused strategic objectives, rather than a separate objective. These objectives are broad-based economic growth and agricultural development, democracy and good governance, human capacity building, population stabilization and human health, sustainable environmental protection, and humanitarian assistance. As a result, at present USAID does not have either an official policy paper or a policy statement on poverty reduction. Nor does its official strategic framework highlight any specific references to poverty or to "the poor" (Crosswell, 2000: 3). However, USAID shares and supports, and has been a major participant in framing, the vision and goal of poverty reduction of the Development Assistance Community of the Organisation for Economic Cooperation and Development.

While poverty reduction is germane to all of USAID's activities to promote sustainable development, the Agency makes a fundamental distinction between a direct poverty reduction strategy and its own sustainable development strategy. While USAID supports DAC's global vision of poverty reduction, it stresses that implementation strategies are likely to vary from aid provider to aid provider, and that such strategies must be sensitive to the critical characteristics of the host country. Given this complexity, and based on lessons learned, USAID takes a broader sustainable development approach to poverty reduction.

## 2. The Sustainable Development Approach to Poverty Reduction

This approach differs from a poverty reduction approach in terms of perspective. The "lens" of poverty reduction generally focuses either on "directly improving income distribution, [or providing goods and services to the poor]and [pays] relatively less attention to

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<sup>1</sup> The subject is drawn from *Talking points for the Asia Pacific Forum on Poverty* (ADB 2000).

economic growth” (Crosswell, 2000: 3). In contrast, the lens of USAID’s sustainable development approach views “broad-based, equitable economic growth” as the “most effective means of bringing poor, disadvantaged and marginalized groups into the mainstream of an expanding economy” (Sleeper, 2001).

The fact is that over 90 percent of global poverty is concentrated in low-income developing countries. According to one USAID policy background paper, “the incidence of poverty—the share of the total population that is poor—is estimated at 40 percent for South Asia, and over 45 percent for sub-Saharan Africa” (Crosswell, 2000: 6). This profile of global poverty indicates that “most of world’s poor are poor because they live in the poorest regions and countries” (Crosswell, 2000: 8). In these instances, poverty reduction largely becomes a matter of overall country development.

Analysis by USAID indicates that “there is a *close correspondence between the dimensions of underdevelopment and the dimensions of poverty*” (Crosswell, 2000: 8 [emphasis in the original]). For USAID, then, the best solution to poverty reduction in these countries is “broad-based development progress.” In this discussion, we exclude the middle-income countries and many of those making the transition from Communism (Crosswell, 2000: 8).

The least-developed countries are characterized by “low average incomes and low productivity, weak and unresponsive institutions, widespread food insecurity, low levels of health and education, vulnerability to crisis and conflict, inferior status of women, and other facets of underdevelopment” (Crosswell, 2000: 8). Our experience tells us these are problems best solved through sustainable development to address these needs, rather than isolated short-term intervention to compensate for their ill effects. So, for example, USAID believes that microcredit for the poor requires sustainable financial practices and the creation of strong supporting policy frameworks and not just an increase in available funds for assorted lending opportunities.

### 3. Lessons Learned

East Asia, excluding the People’s Republic of China, is a good example of the effectiveness of poverty reduction through broad-based development progress. Between 1987 and 1998, East Asia experienced the largest decline in global poverty. We see the East Asian “miracles” of Indonesia, Thailand, Malaysia, and the Republic of Korea, while countries like the Philippines and Viet Nam have also made significant development progress during this same period (Crosswell, 2000: 8). As a result of development progress, “the incidence of poverty for East Asia fell from 24 percent in 1987 to 11 percent in 1998” (Crosswell, 2000: 8). This exceeds the targets set by DAC for poverty reduction in the short span of 11 years, and in the face of the East Asia financial crisis.

USAID is contributing to the region’s recovery from its financial crisis. “The Accelerating Economic Recovery in Asia Initiative is a regional program designed by the Agency’s Asia Near East Bureau, and is a good example of USAID’s approach to poverty reduction”—an

approach that “recognizes that an effective response must address both the underlying causes of the crisis and resultant social impacts, as well as take steps to ensure sustainability” (USAID, 1999).

USAID is committed to poverty reduction. In an effort to better communicate its position, more explicit references to “poverty” have been incorporated in its just-revised Agency Strategic Framework. However, there have been no changes in funding priorities, primarily because in the context of the poor countries described earlier, “there is little if any difference between a strategy for reducing poverty in poor countries and a strategy for promoting development in such countries” (USAID, 1999).

It should be evident that USAID’s continued commitment to sustainable development in low-income countries is a commitment to poverty reduction. And conversely, USAID believes that aid provider and receptor countries need to assure that the poverty reduction strategies they support do not diminish the prospects of long-term sustainable poverty reduction through injudicious, unsustainable immediate attempts to compensate for the effects of poor policies, institutions, and practices.

Given this situation, while USAID appreciates the usefulness of targets, it believes that actual poverty reduction activities are unlikely to be amenable to rigid formulas and approaches.

## References

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